बैंक ऑफ़ इंडिया
Bank of India BOI

संदर्भ क्र. Ref. No.: HO:IRC:SVM:2022-23: 408 **दिनांक Date:**13.01.2023.

Scrip Code: BANKINDIA	Scrip Code: 532149
The Vice President – Listing Department, National Stock Exchange of India Ltd., Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai 400 051.	The Vice-President – Listing Department, BSE Ltd., 25, P.J. Towers, Dalal Street, Mumbai 400 001.

Dear Sir/Madam,

Reporting under Regulation 30 of SEBI (LODR) Regulations – Upgradation of Bank's Long Term Issuer Rating to "IND AA+" from "IND AA"

In terms of Regulation 30 read with point 3 of Para A of Part A of Schedule III and Regulation 55 of SEBI (LODR) Regulations, 2015 and SEBI Circular No.CIR/CFD/CMD/4/ 2015 dated September 9, 2015; we wish to inform that rating agency, India Ratings & Research, have upgraded the Bank's Long Term Issuer Rating to "IND AA+" from "IND AA". The Outlook is Stable.

The Rating press release is attached herewith.

This is for your information and appropriate dissemination.

बैंक ऑफ़ इंडिया BANK OF INDIA प्र.का. H.O. निवेशक संबंध विभाग Investor Relations Dept.

भवदीय Yours faithfully,

RAJESH VENKATA RAJ UPADHYA

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(Rajesh Upadhya)

कंपनी सचिव Company Secretary

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India Ratings Upgrades Bank of India to ‘IND AA+’; Outlook Stable

Jan 12, 2023 | Public Sector Bank

India Ratings and Research (Ind-Ra) has upgraded Bank of India’s (BoI) Long-Term Issuer Rating to ‘IND AA+’ from ‘IND AA’. The Outlook is Stable. The instrument-wise rating action is as follows:

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating	Rating Action
Basel III tier 2 bonds*	INE084A08110	27 March 2017	8	27 March 2027	INR10	WD	Upgraded and Withdrawn (paid in full)

*Upgraded to ‘IND AA+’/Stable before begin withdrawn.

Analytical Approach: Ind-Ra continues to factor in support from the government of India (GoI) to arrive at the ratings.

The rating upgrade reflects the systemic importance of BoI which is driven by the bank’s net advances market share of 3.7% in 1HFY23, along with a deposit market share of 3.9% and GoI’s 81.41% stake in BoI at end-September 2022. Ind-Ra opines that the government’s support to BoI has been demonstrated through regular infusions of equity over the last few years, which have helped the bank to step up provisions and strengthen its balance sheet

The ratings also reflect the bank’s improving capital position and operating buffers, indicating its increasing ability to absorb the impact of any expected and unexpected credit costs. Also, as BoI’s provision cover is improving without any significant deterioration in its credit profile and market position. These factors, in the agency’s opinion, could also enable the bank to witness material profitability in FY23 (annualised return on assets (RoA) for 1HFY23: 0.4%) and boost its share in advances and deposits over the medium term. Furthermore, the bank’s high provision coverage moderates the requirements of additional provisioning requirements. Moreover, with the slippages slowing down, the overall profitability of the bank has been on an improvement trend since FY21.

Key Rating Drivers

Continuing Systemic Importance: BoI remains sixth largest public sector bank with an advances and deposits market share of 3.7% and 3.9%, respectively, at end-1HFY23. The bank had a sizeable network of 5,102 domestic, 21 overseas branches, 8,072 ATMs and a large customer base of about 127.49 million at end-1HFY23. BoI continues to hold high systemic importance for the GoI, resulting in a high probability of ordinary and extraordinary support from it, if required. BoI received a capital infusion of INR309.44 billion from the GoI over FY16-FY21 and the agency expects the government support to continue, if required; the same has been factored into the ratings. Like other large public sector banks, BoI has been able to raise equity (INR25.5 billion of the equity raised in August 2021) from the market, led by an improvement in its financial position.

Adequately Capitalised: FY21 onwards, the bank has reported consistent profitability which, along with timely capital raise, has largely led to an improvement in its CET 1 to 12.97% at end-2QFY23 (FY22: 13.49%, FYE21: 11.51%) and has resulted in a total capital adequacy ratio (CAR) of 15.51% (16.51%,14.93%); both of these compare favorably with peer banks'. Furthermore, with a sharp rise in internal accruals and the provision coverage ratio over FY18-FY21, the need to provide for legacy non-performing assets has been taken care of, which reduces the pressure on BoI's profitability.

Ind-Ra believes the manageable asset quality would enable the bank to maintain relatively material profitability compared to its previous performance though FY23-FY24 (RoA likely to be 0.5% or more). This, combined with the further utilisation of deferred tax assets, will help BoI to efficiently utilise the capital base. Ind-Ra believes the existing capital buffers are adequately placed to also absorb asset quality shocks. After factoring in the elevated provisioning requirements in FY23, on account of the pandemic-induced potential slippages, the agency believes BoI's capital buffers will be moderately higher than regulatory requirements while maintaining peer-comparable net non-performing assets ratio.

Significant Improvement in Asset Quality: The bank's gross non-performing asset (GNPA) ratio improved to 8.51% in 1HFY23 (FY22: 9.98%, FY21: 13.77%) and its net non-performing asset ratio to 1.92% (2.34%, 3.35%), mainly on account of write-offs of INR42.23 billion (FY22: INR103.23 billion) and a recovery and upgrades of INR34.95 billion (FY22: INR95.29 billion), which had largely led to negative slippages in FY22. Ind-Ra expects with the manifestation of additional COVID-19 stress in terms of slippages from COVID restructured assets (end-1HFY23: 1.9%), special mention account-1 & 2 (3.7% of net advances) and loans supported by Emergency Credit Line Guarantee Scheme (INR60.67 billion outstanding till date) including normal business slippages, the incremental impact on asset quality to be manageable.

BoI's provision coverage ratio stood at 79.0% with a peer median of 74.2% (excluding technical write-offs) in 2QFY23 (2QFY22: 79.0%), and hence, provisions on legacy GNPAs would not be substantial. Furthermore, among GNPA accounts, there are accounts which are 100% provided for but not written off which could bring down the headline GNPA number. Ind-Ra expects the credit costs to be absorbed by the bank's expected steady state pre-provisioning operating profit (1HFY23: 2.5% of average net advances, FY22 2.6%) over the medium term; thus, the agency does not expect the bank to make significant losses on account of credit costs as witnessed in the past.

Improvement and Sustainability of Quality of Earnings Key to Performance: BoI reported a net profit of INR70.86 billion during FY21-1HFY23, after cumulative losses over FY16-FY20 standing at INR221.95 billion. The bank reported stable net interest income (NII) growth of 37.3% in 1HFY23 (FY22: negative 1.5%); however, its weak treasury performance of INR30 million in 1HFY23 (1HFY22: profit of INR13.65 billion) largely leads to weak pre-provision operating profit (PPOP) growth of 1.5% (7.7%) as the bank's cost-to-income ratio remained stable at 52.6% (54.4%). The contribution of treasury income and recoveries from written-off accounts constituted 10.8% of the PPOP in 1HFY23

(FY22: 25.5%) and remains an important part of BoI's sustainable operating performance.

Moreover, a decline in credit costs to 1.12% in FY22 and 2.3% (annualised) in 1HFY23 (FY21: 2.08%, FY20: 4.54%) led to a stronger profit generation. BoI wrote off loans amounting to about INR474.16 billion over FY18-1HFY23 (about 10.3% of its current net advances), and if recoveries pick up further, this could be a source of profitability, and internal accruals which add to the capital buffers.

Liquidity Indicator – Adequate: BoI maintained a small cumulative funding deficit of 4.65% in the up-to-one-year bucket on the contractual asset liability management at 2QFY23. It also maintained about 25.7% of the total assets in balances with the Reserve Bank of India, banks and in government securities in 2QFY23 as part of the statutory liquidity ratio (SLR) requirements. The bank's liquidity coverage ratio was 166.75% at end-2QFY23 on a consolidated basis.

Deposit Profile Could Come Under Pressure: BoI's low-cost current account and savings account (CASA) deposits remained steady at 37.4% at end-1HFY23 (FY22: 39.1%; FYE21: 35.8%), marginally below the peer median levels. During 1HFY23, BoI's CASA grew at about 4.1% yoy, the overall deposits, including fixed deposits, grew about 5.6% yoy, while net advances grew 21.5% yoy. Given that deposit growth has lagged advance growth for a few quarters, the banking sector has been under pressure and accordingly banks' term deposit rates have increased 1%-1.5% over last year. Furthermore, the agency expects as interest rate curve is adverse, the banks' interest rates on deposits will continue to increase over the medium term.

Rating Sensitivities

Positive: Substantial, demonstrated growth in franchise delivering consistent market share gains, consistency in profitability while maintaining capital buffers at materially higher levels than the regulatory requirements and a significant improvement in deposit profile hereon could result in a positive rating action.

Negative: BOI's Long-Term Issuer Rating could be downgraded if there is any unfavourable change in the government's support stance that restricts the bank's ability to maintain its systemic importance, or if the equity buffers of the bank consistently operate at close to the minimum regulatory levels which could restrict its ability to grow its business and market share. There could also be a negative rating action if the bank loses its market share materially compared to other public sector banks.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on BoI, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

Company Profile

BoI is the sixth-largest Indian public sector bank. At end-1HFY23, it had net advances share of about 3.7% and a deposit share of about 3.9%. BoI had 5,123 branches and 8,072 ATMs at end-1HFY23.

FINANCIAL SUMMARY

Particulars (INR billion)	FY22	FY21
Total assets	7,346.1	7,258.6

Total equity	551.3	486.9
Net profit/loss	34.0	21.6
Return on assets (%)	0.47	0.31
Common equity tier 1 (%)	13.49	11.51
Capital adequacy ratio (%)	16.51	14.93
Source: BoI, Ind-Ra		

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Current Rating/Outlook				Historical Rating/Outlook			
	Rating Type	Rated Limits (billion)	Rating		13 October 2021	14 October 2020	1 July 2020	17 June 2019
Issuer rating	Long-term	-	IND AA+/Stable		IND AA/Stable	IND AA/Stable	IND AA+/Negative	IND AA+/Negative
Basel III tier 2 bonds	Long-term	INR10	WD	IND AA+/Stable	IND AA/Stable	IND AA/Stable	IND AA+/Negative	IND AA+/Negative

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Basel III tier 2 bonds	Moderate

For details on the complexity level of the instrument, please visit https://www.indiaratings.co.in/complexity-indicators.

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Evaluating Corporate Governance

Financial Institutions Rating Criteria

The Rating Process

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